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ABSTRACT

A research project in the Ivory Coast, Kenya, and Tanzania evaluated the cost effectiveness of management training seminars for women entrepreneurs in the informal sector. Women, a large and growing part of entrepreneurs, had less access to needed resources, skills, and information than men. Reasons for failure to study the cost effectiveness and efficiency of development assistance included lack of clear concepts, methodologies, and standards. Grassroots management training seminars were conducted for businesswomen operating established informal sector businesses. In each country, 40 businesswomen were selected; some were assigned to a control group. A set of indicators was developed to measure benefits. Levels of criteria considered in evaluating outcomes were reaction, learning, behavioral, and result. Impact of the training program was assessed by applying this set of indicators and comparing pre- and postseminar values. Findings indicated that participants appreciated acquisition of management skills, had a more favorable attitude toward learning and the importance of management know-how to improve business, and acquired cognitive skills. Behavioral changes were reflected in the application of acquired skills and knowledge through business expansion by at least one-third of participants in each country. They improved or stabilized their businesses. Benefits to participants exceeded costs in all three countries. (Appendixes include 29 references, a summary of seminar content, and data tables.) (YLB)

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# Cost-effectiveness of management training in the informal sector

by Irmgard Nübler

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# I. Introduction

The informal sector has been called the "hidden economy" although its activities represent a large part of the economy in developing countries and it is visible almost everywhere. However, the sector is "hidden" in statistics, from policy, development strategies and development models. For many years the informal sector has been neglected in research, academics and policies. With regard to project evaluation the informal sector can also be considered "hidden". Projects aiming at assisting enterprises in the informal sector are evaluated, if at all, in terms of successful implementation, i.e. the money was spent as predicted. Little attention is paid to cost-effectiveness and efficiency. Rather, it is assumed that successful implementation would bring about the expected benefits to the participants.

This study aims at gaining more insight and evidence on the benefits of management training in the informal sector. The Training Policy and Programme Development Branch of the ILO has conducted a research project in Côte d'Ivoire, Kenya and Tanzania to evaluate the cost-effectiveness of management training seminars for women enterpreneurs in the informal sector.

# II. The issues

## A. Assisting business women in the informal sector

The informal sector represents a large part of the economy of developing countries and provides income to the majority of the labour force. Income is generated mainly by self-employment or by employment in small enterprises. Productivity as well as income of many informal sector operators tends to be low.

Women represent a large and even growing part of entrepreneurs in the informal sector. However, they tend to be less well equipped and face more obstacles than their male colleagues. They have less access to resources, skills and information[1]. At the same time, they face a situation in which they are increasingly the ones who have to earn the income for the children and extended family[2]. A case can be made for giving special attention to business women in the informal sector in developing countries on the grounds of efficiency, growth, distribution and equity. The individual and society will miss both short and long term economic and social gains if women are not enabled and encouraged to develop to their full potential[3].

## B. Limited evidence on the effectiveness of various types of assistance

Many policy makers and practitioners agree that the informal sector can and should be promoted and supported. Small-scale business can be supported by assistance on the micro-level and by policy changes at the macro-economic level. On the micro-level, business people are promoted through financial assistance, assistance with appropriate and new technology, marketing assistance, assistance with research services, business consultancy services, establishment of cooperatives, industrial estates, handicrafts zones, and vocational, technical and management training.

The scarcity of resources for development assistance imposes high opportunity costs on any particular assistance provided. The issue is which type of assistance would be most effective and efficient in improving the potential of informal sector entrepreneurs.

In general, there is limited research and evidence available with regard to the impact, effectiveness and efficiency of development assistance. Evaluation studies of technical assistance programmes often neglect effectiveness and efficiency. In 1969, an OECD study states that "The Evaluation of Technical Assistance ... is still at a by and large intuitive stage" and 20 years later, the Evaluation Department, Overseas Development Administration confirms that "little has changed since then". An ILO Governing Body document states that "... little is known about the actual or potential benefits accruing to the beneficiaries. This question is seldom considered in project design and even more rarely in project evaluation"[4]. Zegers concludes in her study on a management training programme for small-scale entrepreneurs in The Gambia that "...one of the problems with conclusions about the effectiveness or usefulness of training is that they are not very well substantiated"[5].

More recently, programmes to assist the informal sector have been analysed at the implementation level. The aim was to gain more insight into what kind of assistance was successful and under what conditions projects succeeded or failed. McLaughlin concludes that "One of the most controversial issues in evaluating the design of technical assistance programs for the informal sector is whether an approach providing a single input (e.g. train-

ing) or several related inputs in an integrated package yields the most effective results"[6].

Several reasons have been brought forward for the failure to study cost-effectiveness and efficiency of development assistance, in particular in the informal sector. The lack of clear concepts, methodologies and standards of success or failure is cited as one major reason. Furthermore, lack of resources and time for data collection[7] seem to be a constraint. Eden states that "...it is difficult to conduct good evaluation research (because) ... all parties involved... have a stake in not revealing some negative aspects of the training"[8]. Furthermore, the lack of written records and difficulties in collecting reliable data in the informal sector contribute to the neglect of evaluation studies.

# III. Evaluating the cost-effectiveness of management training for small-scale business women: a research project

There is evidence that many small-scale business people in developing countries, both in the formal and the informal sectors lack managerial skills. This results in low productivity and low income[9]. Management training may contribute to higher productivity and improved business performance. In the past, however, a sceptical attitude towards training in the informal sector could be observed. Training was considered either ineffective, inefficient or not possible[10]. Most training activities continued to take place in the formal sector, and training for people working in the informal sector mostly prepared them for employment in the formal sector[11]. As a consequence, appropriate training approaches to train business people in the informal sector are scarce and often not well adjusted to this target group. In addition, mainstream programmes tend to neglect women's specific training needs and insufficiently reflect their world of work.

Assuming that it is important to assist business women in the informal sector, and being aware of the lack of information and evidence on the cost-effectiveness and efficiency of various types of assistance, including management training, a research project was launched by the Training Policy and Programme Development Branch of the International Labour Office. The aim was to get more insight and evidence on the cost-effectiveness of management training in assisting informal sector entrepreneurs.

## A. Grassroot Management Training: A new training methodology

D. Bas, from the Training Department of the ILO, and his wife Pascale have developed a training methodology and training material in order to meet specific management training needs of business women in the informal sector. The methodology is based on pictures, stories and role-playing which take into account the business women's environment, their experience and working situation. This material is designed for training seminars and covers three main topics: The Enterprise and its Environment; Marketing; and Financial Management (Annex I). The seminars last for five days with four to five hours daily. The training approach, methodology, and curriculum are presented in detail in previous publications of the Training Policies Branch. In addition, a Trainer's Guide is being prepared to provide specific guide-lines on how to apply the Grassroot Management Training methodology. The immediate objective of Grassroot Management Training seminars is to create awareness among business women with regard to business management issues, to convey basic messages and to transfer skills, know-how and information in order to improve business performance.

Feed-back on the training approach is limited to evaluations conducted at the end of each seminar. These exercises only evaluate the seminar itself, i.e. only reactions criteria have been applied. No systematic follow-up evaluation had been undertaken in order to learn about the impact and effectiveness of the training. Hence, the question of efficiency and effectiveness of management training in the informal sector in general and of the newly developed training methodology in particular was raised and resulted in the design and implementation of this project by the author.

## B. Objectives of the project

The project consisted of a pilot and a research component and therefore aimed at achieving two objectives. As a pilot project it tested the training approach in order to improve and adjust the training material to different cultural environments. It further aimed at testing the implementation of an envisaged larger training project.

The research component aimed at evaluating the effectiveness of management training in the informal sector. The task was to firstly to develop and test a set of indicators to measure the impact of management training since many conventional indicators are difficult or impossible to apply in an informal sector environment. Secondly, the research component aimed at measuring the benefits of the management training seminar for business women in the informal sector. The findings of the pilot project (testing the material and implementation) can be studied in detail in the final project report[12]. This paper focuses on the research component of the project.

## C. The research project

In the framework of the project, Grassroot Management Training seminars were conducted in Côte d'Ivoire, Kenya and Tanzania. The impact of these three seminars on the participants and their business performance was to be evaluated. The research focused on a relatively small sample in order to be able to conduct in-depth interviews during a limited period of time and to obtain a comprehensive picture of the business and the entrepreneurs involved as research subjects.

### *1. The Methodology*

The impact of the training programme was assessed by applying a set of indicators and comparing both pre-seminar and post-seminar values of these indicators. Hence, interviews were conducted before and after the seminar. In addition, behavioural and result variables were compared between participants and non-participants. These control groups ensure that observed changes among the participants can be identified as the effect of the training seminar. Changes which are caused by factors other than the training seminar are not interpreted as the programme effect when they can be observed in the participants and the control group[13]. So, the sample includes trained and non-trained individuals and spans both pre-training and post-training periods.

### *2. Data collection*

The interviews were conducted jointly with local collaborators in the local language. Most interviews were conducted at the women's working places in order to observe and verify certain information and data provided by the women. Furthermore, the women felt more comfortable, and they did not lose income while being interviewed. Each interview lasted between two and three hours depending on the women's ability to respond and the number of clients interrupting the interviews.

Several group discussions with the participants complemented the individual interviews during the follow-up evaluation. The meetings were conducted by trainers and group dynamics permitted identification of the shortcomings of the seminar, benefits experienced by the women and limits to the application of the new skills. The women tended to be more outspoken when they realised that others had similar problems in understanding certain topics, in applying the skills and in coping with various constraints.

The pre-training interviews to collect base-line data took place some weeks before the seminar. The follow up research took place about seven months after the seminar. This period was considered sufficient for the participants to implement changes and apply what they have learnt. As the training courses were short and aimed at having an immediate impact on business performance, the newly acquired skills would not require long preparation in order to be implemented.

### 3. The target group

The seminars targetted business women who were already operating an established informal sector business (Annex II). The seminars were not targetted at business creation neither were they aimed at assisting business women to transform their activity into higher value added products or to apply a more advanced production technology. This ensured that participants in the GMT seminar were able to immediately apply the skills and knowledge they acquired.

The methodology was developed for women of a low level of education and literacy. In this context the term "low level of literacy" has to be qualified. The number of years someone has attended school is generally applied as an indicator for the level of education and literacy. However, for various reasons, students who have attended school for a certain number of years in developing countries on average tend to have acquired less literacy and cognitive skills than students in developed countries. Furthermore, many people use their literacy skills only rarely once they have left school. Hence, they tend to lose them rather quickly. Therefore, the years of schooling indicates to only a limited extent the literacy level of a person and her capacity to absorb management training. As a consequence, women with different years of schooling and different levels of "illiteracy" were eligible to join the seminars. Experience with the training programme "Improve Your Business", a Swedish training approach adjusted for entrepreneurs in developing countries, has shown that sometimes even secondary graduates had difficulties in understanding what was taught.

Finally, in order to be able to isolate the effect of the GMT training seminar, only those women could be accepted who had had no previous management or business training.

### 4. The sample

In each country, 40 business women were selected from the target group according to the selection critiera, i.e. already operating a small business in the informal sector; low level of literacy; no previous management or business training. In addition, the women had of course to agree to be interviewed and to indicate that they would be willing to participate in the forthcoming seminar. The business women were approached in different ways in order to avoid a bias in the sample. Some collaborating NGOs suggested members who contributed to their savings association. Some officials of the NGOs suggested their neighbours, some their wives. One NGO which had just started its operation had already contacted many business women in order to recruit them as members. Furthermore, the local collaborators suggested business women from their neighbourhood, or from markets where they used to be customers. Women got interested when they observed that their shop neighbour was interviewed. In addition, women were approached by the recruiting team (local collaborators with the author) at their work places at the markets, in the streets or at their home. If the women belonged to the target group, were willing to be interviewed and were interested in participating in the seminar, they were accepted.

It has to be pointed out that there may be a certain bias in the sample. Only those women who indicated an interest in participating in the seminar and agreed to being interviewed could be included. It is assumed that these women tend to be more open to new ideas, have a latent positive attitude towards training, take their chances and are motivated to improve their business. Therefore, the sample may to some extent be considered a positive selection of women from the target group with more favourable attitudes. On the other hand, only those women can be trained effectively who are eager to participate in seminars in order to learn. In fact, the project aimed at reaching these women by not paying them for participation.

### 5. Participants and control group: a quasi-experimental approach

In order to obtain a control group only part of the sample participated in the training seminar. In a truly experimental approach, the participants were selected randomly from the

sample. This was to achieve a maximum of probability to obtain equality in all variables for participants and the control group. For various reasons, however, it was not feasible to randomly select the participants. Women selected for participation would finally not attend. Others who were not selected for participation became resentful at receiving less desirable treatment. This may have resulted in unreliable data in the control group. The collaborating NGOs did not accept the exclusion of some of their members. The external collaborators expressed their concern about a loss in credibility since the women devoted a lot of their time to the interviews in order to have the opportunity to participate in training.

Finally, it was decided to apply a quasi-experimental approach. This method ensures internal validity to a high degree if it can be assured that the participating group and the control group is equal in the key variables[14]. It has to be ruled out that post-training differences between a participant and a control group are a function of initial differences on the pre-training values of the groups. As a consequence, every women in the sample who wanted to participate could do so. A control group was selected amongst the non-participants with a similar profile in key characteristics to the participants. (Annex III)

## D. Organisation of the seminars

The training seminars were organised jointly with local NGOs, specialised in assisting the informal sector.

### *1. Training of trainers and of business women*

The ILO trainer trained local trainers during the first week. About 15 trainers were identified in each country with different backgrounds in education, professional and training experience,in their personal profile and their management knowledge and skills. The trainers came from various organisations, institutes and projects. During the second week, those local trainers who proved capable trained a group of business women under the supervision of the ILO trainer for four to five hours daily (in Nairobi and Dar-es-Salaam in Kiswaheli and in Abidjan in French). It was important to offer short training courses of a few hours per day because most women had a wide range of tasks to fulfill and the income they may have lost while they attended the seminar had to be kept low.

### *2. Training fee, self-selection and effectiveness*

Many organisers of training seminars in developing countries pay participants "sitting allowance". The argument is that people, in particular those of a low level of education, have to be attracted by monetary incentives because they do not believe in the benefit of training. They have to be convinced to participate so that their "eyes will be opened". Another argument brought forward in favour of "sitting allowances" is the low income of participants and the income lost while they sit in the seminar.

The compensation paid to the participants is sometimes relatively high. In some cases, allowances for a five day seminar may amount to one months' income from a business in the informal sector. Therefore, participating in a seminar as such becomes profitable and the wrong people may be attracted[15]. Even if the participants are selected carefully, they may still participate for financial reasons and not because they are eager to learn. Their motivation and attendance rate, therefore, may be low and so may be the impact of the seminar[16].

In the framework of this project the participants were not paid but were asked to pay a training fee for the service which was provided to them as business people. The participants could decide themselves on the amount they were willing to contribute. Hence, nobody had to be excluded from the seminar for financial reasons. In addition, the willingness to pay provided an interesting indicator.

The training fee ensured that only those people participated who expected a benefit

from the participation. Consequently, only the target group, i.e. women in business who can apply the skills, were attracted since they considered the expenses an investment. In addition, they were motivated to both attend and learn and they appreciated the seminar[17]. In all three countries the attendence rate was very high and almost nobody dropped out. Therefore, the training fee is considered an effective instrument for self-selection and to ensure committment and effectivenss of the seminar.

## E. Schedule of the research project

The schedule of activites is presented in the following table:

| | Abidjan | Dar-es-Salaam | Nairobi |
|---|---|---|---|
| **Collection of base-line data from sample** | | | |
| Date | 4.- 21.10.89 | 16.2.-6.3.90 | 25.7.-13.8.89 |
| Number of interviews | 40 | 40 | 40 |
| **Training of trainers** | | | |
| Date | 17.-23.1.90 | 19.3.-23.3.90 | 27.11.-1.12.89 |
| Number of trainers trained | 20 | 13 | 12 |
| trainers capable of training business women | 8 | 6 | 6 |
| **Training of enterpreneurs** | | | |
| Date | 25.-31.1.90<br>23.-30.5.90 | 26.3.-30.3.90 | 4.12.-8.12.89 |
| Number of participants | 26 | 32 | 16 |
| **Follow-up evaluation** | | | |
| Date | 26.8.-6.9.90 | 8.9.-20.9.90 | 6.6.-30.6.90 |
| Number of interviews of participants | 21 | 28 | 8 |
| Number of interviews of non-participants (control group) | 5 | 7 | 7 |

# IV. Measuring the benefits: in search of indicators

Studies evaluating the benefits of training, typically focus on indicators like increased earnings, higher level occupation, improved job performance, increased firm output, reduced input costs, or reduced unemployment[18]. Many of these indicators are inappropriate for application in the informal sector of developing countries since management training seminars in the informal sector raise two major methodological problems:

## A. The methodological issue

### *1. Light intervention and weak signals*

It has been realised that training programmes for business women in the informal sector have to be of short duration for various reasons[19] in order to keep both direct and opportunity costs low. In the training seminars, provided in the framework of the research project, business women have been exposed to training for about 20 hours. From this relatively light intervention we cannot expect heavy impacts and major changes in business performance as could be expected from several weeks or months training programmes. Therefore, the signals sent may be very light, difficult to identify and to measure.

### *2. Inadequate measurement instruments*

Many traditional indicators such as income, profit, output etc. are difficult to apply in the informal sector because of lack of records. Most business women do not keep records of their business figures. They may have an idea of their sales, but would not know their net income or their profit. Therefore, it is difficult to obtain reliable data for such indicators at reasonable costs. In addition, certain data are kept confidential and individuals are reluctant to reveal them.

Furthermore, the range of conventional instruments in measuring the impact of training is too narrow. They focus to a large extent on final economic performance measured by increased productivity, income and employment. Training, however, may benefit participants and society also in other ways. If we only concentrate on the narrow focus of economic benefits, non-economic effects of training will be ignored and the effectiveness of training programmes will be underestimated.

## B. A new set of indicators to be developed: The analytical approach

Measurement instruments to be applied in the informal sector have to be sensitive in order to catch weak signals which are sent by light interventions and the set of instruments and indicators has to be able to catch benefits at different levels.

This research project aimed at developing a set of indicators to assess the effectiveness of training in the informal sector. A concept was developed to identify economic and non-economic effects of training. The analytical approach applied follows the process by which the seminar typically affects the individual and how it finally results in benefits at various levels.

Any training seminar is expected to exert functional and extra-functional effects on the participant. The functional aspect refers to the direct objectives of the seminar, i.e. the transfer of knowledge, skills and messages. The extra-functional effects refer to the psychological and motivational aspect of the seminar. The event of the training seminar itself and the fact

of being selected, invited and given attention already induces a motivational push to certain participants. Hence, the seminar as such may function as a catalyst.

Ideally, the exposure to functional and extra-functional effects will bring about cognitive and non-cognitive changes in the individuals[20]. The cognitive changes refer to the extent to which knowledge and skills were acquired, competence was formed and created in the individual and additional information was transferred. The formation of competence and transmission of information is considered the intermediate outcome between training and production[21]. Non-cognitive ("affective") changes brought about in individuals by training refer to changes in attitudes and values. These changes may be one of the direct objectives of the seminar, or may be a by-product.

The result of this process will be an enhanced level of competences among the participants and higher motivation to improve business. These achievements are expected to induce changes in the participant's behaviour. They hopefully will apply the acquired skills and make use of the information and knowledge which will result in higher technical and allocative efficiency. Those participants in the training seminar, who wish to change and apply new knowledge and skills, may be prevented from doing so or may reverse already implemented changes. While increased knowledge and motivation is a necessary condition for performance, it is not a sufficient one. Participants may have less control over their own behaviour than they would like to have[22]. The obstacles may be cultural attitudes, expected negative feed-back from the environment, lack of access to complementary resources such as credit and physical inputs, and poor state of the economy or legal constraints.

Behavioural changes are expected to contribute to more effective business organisation. Under favourable conditions training will result in improved business performance and higher economic benefits. Under unfavourable conditions, the implemented changes may result in stabilised business performance. In the extreme case, business which would have failed without training may survive due to training.

## C. The indicators

Based on the process analysed above, a set of indicators has been developed to identify and measure the benefits of training accrued to the participants. Thus, in evaluating the outcomes of the management training programme, several levels of criteria were considered. First there were "internal" evaluation criteria, which assessed the impact of the training programme on variables in the "training environment". These were the reaction and learning criteria. The "external" criteria served to indicate the effects measured in the "work environment". They included behavioural criteria and results or performance criteria. The criteria were evaluated by multiple indicators because "one single measure or indicator for any given criterion type (such as result) may be inadequate representations of the construct that the evaluator intend to measure"[23]. The indicators presented are those which finally turned out to be workable.

| Class of Criteria | Benefits to be measured | Indicator |
|---|---|---|
| 1. Reaction criteria | direct benefit from seminar | - appreciation of extra-functional aspects relative to functional aspects |
| | non-cognitive skills: | - changes in priority given to training seminar |
| | attitude towards learning | - changes in priority given to advisory service |
| 2. Learning criteria | cognitive skills | - rate of retention of stories<br>- rate of retention of messages<br>- scores achieved in tests |
| 3. Behavioural criteria | application and implementation | - number and type of change implemented<br>- changes implemented but reversed<br>- planned changes |
| 4. Result criteria | Economic performance | - Estimated sales<br>- Number of customers<br>- employment of paid and unpaid workers |
| | quantification of benefit: willingness to pay | - opportunity costs (revealed willingness to pay + income lost + transport costs) |

# V. Indicators and data

## A. Reaction critieria: Direct benefit from the seminar

It is hypothesized that participants of training seminars appreciate various aspects of seminars. The functional aspect, i.e. learning and acquisition of skills and information is one. However, it is important to understand the role of extra-functional aspects since they represent benefits to the participants which they draw directly from the seminar. A list with eight options (Annex IV) was presented to the interviewee, referring to the functional and extra-functional aspects of the seminar. Each participant was supposed to select the one she appreciated most in the seminar.

In Kenya, almost all participants appreciated most the functional aspects, "that you increased your knowledge on how to improve your business ". In contrast, in Côte d'Ivoire and Tanzania, fewer participants appreciated the functional aspect highest. In Côte d'Ivoire, one quarter and in Tanzania almost half of the participants gave the highest appreciation to extra-functional aspects. In both countries, the social aspect of the seminar was highly appreciated. In Tanzania, the participants referred to the opportunity "to meet other business women" and that she had "an interesting time". In Côte d'Ivoire, they appreciated most "meeting other business women", and "meeting trainers".

In addition, the participants were asked to indicate what they appreciated as their second and third priority. The analysis of priorities one, two and three shows that each participant had "that you increased your knowledge on how to improve your business " among her three choices. This points out that the functional aspect was appreciated, though for many participants not as the highest one. In addition to training, high ranking was given to "meeting other business women" in all countries with 71 percent in Côte d'Ivoire, 43 percent in Kenya and 83 percent in Tanzania.

Low ranking was given to "leave from business" and "received a diploma". In contrast to these similarities, we find quite some differences between the countries. In Kenya, "experience how such a seminar is conducted" was ranked relatively high with 61 percent. In Tanzania, "they take you serious as a business women" was mentioned by 61 percent as one of their three choices. Furthermore, in Côte d'Ivoire and Kenya, "the opportunity to meet the trainers" was ranked high with 45 and 62 percent, respectively.

These differences between countries can partly be explained by the participants' personal or country specific characteristics. For example, in Tanzania, "being taken serious as business women" received appreciation by 61 percent in contrast to Côte d'Ivoire (17 percent ) and Kenya (29 percent). The reason may be the fact that business women in Tanzania on average operated their business two years less than their colleagues in Côte d'Ivoire and Kenya due to former Government policy. In addition, 54 percent of all participants in Tanzania are in business for less than two years, while in Côte d'Ivoire and Kenya, only 21 and 25 percent, respectively, have less than two years of business experience. Business women in Dar-es-Salaam are less exposed to a business environment as they operate their business to a much larger extent at home. Therefore, it can be assumed that they feel less recognised and accepted as a business person compared to their colleagues in Côte d'Ivoire and Kenya and they highly appreciated it to be taken seriously as business women.

We can conclude that extra-functional aspects play an important role in a training seminar which have to taken into account in evaluation studies. These effects represent a direct benefit

to the participants and they may contribute to higher motivation and self-confidence and finally to improved business performance.

## B. Non-cognitive changes in participants

It has been asserted in the literature[24] that many business people in the informal sector tend to give low priority to training when asked to rank their business needs. Other factors such as capital or equipment are considered a bottleneck. However, it is also argued that capital is given very high priority because other problems may be transferred into a problem of lack of capital[25]. We assume that business people once they participated in the training seminar and had experienced benefits from it, may realise the importance of knowledge and skills and change their attitude towards learning.

In preliminary interviews the question "What is your most urgent business need" was spontanously answered with "credit or capital". In order to make the women reveal their preferences the interviewers played a game during the interview. The following question was asked: "Assume we would offer to you capital, training seminar on business management, advisory service, better location, better equipment. You can only choose one item. Think carefully about what you would choose". Most women reflected quite some time and finally chose one item. After they gave first priority, the game was repeated and they had another choice out of the remaining four items. Finally, they had a third choice. This game was repeated during the follow-up interview and the priorities given to training were compared.

Training seminars and advisory services are two different forms of transferring knowledge and skills. Changes in priority given to training seminar and changes in priority given to advisory service are applied as indicators in order to identify changes in attitudes towards learning and skill acquisition.The changes in priorities are also compared between the participants and the control group.

### *1. Changes in priority for training seminars*

Data analysis on the shifts in priority for training before and after the seminar revealed that 62 percent of all participants in Kenya increased priority for training seminars while the remaining women kept the same priority. None reduced it. In Côte d'Ivoire and Tanzania about one third of the participants, reduced, one third increased and one third kept the priority for training stable. In all three countries the number of women in the control group who increased priority for training was significantly less than for the participants. In additon, a significantly higher number of the control group reduced priority. The differences between the participants and the control group indicate that the training seminar exerted a positive effect on the participants' attitude towards learning and skill acquisition.

### *2. Changes in priorities for advisory services*

Advisory services are mostly provided by individual contacts with a trainer or extension worker and imply the transfer of information, know-how and skills. The shifts in priorites for advisory services between the three countries are very similar. Among the participants between 37 and 50 percent increased priority while between ten and 12 percent reduced it. The remaining participants kept their priority stable. An analysis of the control group revealed that a significantly lower percentage increased priority and a signifcantly higher percentage reduced priority for advisory services.

### *3. Shifts in priority between training and advisory services*

Before drawing conclusions from these absolute figures on the changes in attitude towards learning, the simultaunous shifts of priorites for training and for advisory services for each participant had to be analysed. The participant may have increased priority for advisory services and for training seminars, reduced both priorities, reduced one and increased the other, or kept both priorities

stable. Where both priorities moved in the same direction we assumed a strong change in attitude. Therefore, an increase in priority for training seminars and advisory services suggests an improved attitude towards learning and skill acquisition. In contrast, a double reduction suggests possible reactions. First, a more negative attitude towards learning after the training experience. Second, participants may consider the benefit from further learning less than from other assistance since they may feel they had acquired the relevant skills in the first seminar. If both priorites are kept stable a more or less unchanged attitude is assumed. If one priority is kept stable while the other one is increased we assumed a positive change in attitude towards learning and skill acquisition with a preference for one of the two forms of learning (either training seminar or advisory services).

The number of participants who kept priority stable for both advisory services and for training seminars was highest in Kenya with 25 percent, while it was 17 percent in Tanzania and lowest in Côte d'Ivoire with ten percent. It was assumed that the participants' attitude towards learning did not change after the seminar.

In Kenya, almost 40 percent of all participants increased both priorites, while in Côte d'Ivoire and Tanzania ten percent increased both. These shifts in priorites indicate a strong improvement in attitude towards learning. Around ten percent in all three countries kept priority for a training seminar stable and increased priority for advisory services, while between 12 and 20 percent kept advisory services stable and increased priority for training seminars. This reaction indicates an improved attitude towards learning whereby preference is given for either one of the two forms of learning. With the exception of one woman, no participant reduced both priorities.

How can the change in attitude towards learning of those women who increased priority for one, but reduced it for the other one be interpreted? Findings show that almost no participants increased their priority for a training seminar and at the same time reduced it for advisory services. However, in Côte d'Ivoire and Tanzania, 20 percent of the participants increased priority for advisory services while they reduced it for training seminars. This finding is very interesting since it sheds more light on the relation between change in priority and change in attitude. It has been observed that in Côte d'Ivoire and Tanzania more than one third of the participants actually reduced priority for training seminars. At first sight these figures may be interpreted as a worsened attitude towards learning and skill acquisition after the seminar. However, analysing priorities for advisory services reveals that about half of these participants had only exchanged training seminars for advisory services. In Côte d'Ivoire, all the women who replaced training by advisory service had given one of the three priorities to training seminars during the first interview but none to advisory services. In the follow-up interview they all replaced training by advisory services and no longer gave a priority to training. The reason for this exchange between training and advisory services can be found in the low educational level of these women. Almost 70 percent had never been to school. These women do have a positive attitude towards learning, however they realised that advisory services may be a better form of learning than another training seminar. In Tanzania,we observed the same characteristics. All participants who no longer selected training after the seminar replaced it by advisory services. These women had achieved scores significantly below average in the cognitive tests. They found out in the seminar that advisory services would be a more appropriate way of learning for them.

In the control group, a high percentage reduced the priority accorded to training seminars. However, only very few replaced it by advisory services. About 15 percent of the control group exchanged training by advisory services whereas about 50 percent of the participants who reduced priority for training replaced it by advisory services. This confirms the previous conclusion that the women had a positive attitude towards learning but after the seminar they had a higher preference for advisory services.

## C. Cognitive changes in participants

The Grassroot Management Training methodology transfers skills and conveys messages by means of pictures, stories and role playing. The training material includes 30 stories with 72 pictures. Each story conveys one or more messages, and some messages are conveyed by several stories and pictures.

The cognitive changes brought about in individuals refer to the acquisition of skills, knowledge and information and are measured by a variety of indicators.

### *1. Retention of pictures and stories*

The participants were asked during the interview to recall as many stories and pictures as possible and also to explain what the story/picture taught her. On average, between 30 and 45 minutes was devoted to this part of the interview. The average number of stories recalled by the participants was significantly higher in Kenya and Tanzania than in Côte d'Ivoire. In Côte d'Ivoire, 48 percent of the women recalled five pictures or less, whereas only 14 and 25 percent in Tanzania and Kenya, respectively recalled so few stories. At the other extreme, in Tanzania 32 percent recalled ten or more stories. Kenya follows with 25 percent and in Côte d'Ivoire only ten percent achieved such high scores.

### *2. Retention of messages*

The objective of training is to convey messages. Therefore, the extent to which the participants associated the correct message with the various stories had to be analysed. In each country, few women had difficulties in associating the correct message to the stories. In Côte d'Ivoire, 16 percent of all the answers could not be related to the correct message while it was only seven percent in Kenya and Tanzania.

In addition to messages associated with stories, the participants recalled a number of messages as such without any association with stories or pictures. In total, the average number of messages recalled is ten in Tanzania, nine in Kenya, and six in Côte d'Ivoire. Since a total of 32 different messages were identified, the participants remembered between 19 and 31 percent of the messages conveyed during the seminar.

### *3. Stories and messages recalled by subject matter*

The training material for the seminar encompasses three main subjects: The Enterprise and the Environment (four hours), Marketing (eight hours) and Financial Management (eight hours). While the first part is easy to understand as it deals with the African environment, Marketing becomes more complex and deals with western management concepts. The section on financial management again presents Western management knowledge and concepts. In addition, it requires mathematical skills and the ability to comprehend abstract concepts.

The number of pictures and stories are distributed unevenly between the three types of subject matter. The shortest and easiest, "The Environment", is presented with six stories and 21 pictures. "Marketing" is explained with 22 stories and 44 pictures. Financial Management is taught with only two stories and seven pictures, although it is as long as the section on Marketing and intellectually more challenging.

The rate of recall by subject shows that most women remember relatively more stories from the section on the environment. Though this presents only 20 percent of all stories, 30 to 40 percent of the stories recalled are from this section. Fifty-four to 68 percent of the recalled stories refer to marketing which presents 73 percent of all stories. The recall rates for the financial chapter were very low as only two stories were presented during the seminar. No participant in Nairobi and Abidjan recalled the stories and only six percent in Dar-es-Salaam recalled one of the stories.

With regard to messages we found that most women remembered messages from the first and second sections while very few could recall the messages from the financial matter. About

30 percent of all the messages the women remembered were related to the environment, 44 percent to marketing and 14 percent to financial management. In addition, the main messages were recalled by a large number of participants in all three countries, while several messages were mentioned only in one or two countries.

### *4. Test on cognitive skills in marketing and financial management*

The cognitive skills of the participants were further assessed by a test (Annex V) including two sets of questions, one referring to marketing, the other to financial management. The respondent could achieve 0, 1, or 2 points for each question and a maximum of 10 points in each set of questions, i.e. 20 points in total.

The results of the test differed substantially between the countries. The participants in Tanzania and Kenya achieved a total score of 13.4 and 11.6 points on average, respectively, whereas participants in Côte d'Ivoire reached only 6.3 points. In all three countries, the participants achieved much higher results in marketing than in financial management. In Côte d'Ivoire and Tanzania, the average points per participant in financial management was only half of those achieved in marketing.

The higher scores in marketing can partly be explained by the fact that the participants were more familiar with marketing issues which are much closer to their world of work and their experience. The concepts and the knowledge transferred in financial management, however, are more complex, more difficult to understand and require more formal skills and the capacity to comprehend abstract concepts. Furthermore, financial management is taught in a more conventional manner with the application of only few stories and pictures.

The importance of schooling for the ability to understand and recall the concepts taught in financial management can be demonstrated by the data from Tanzania. The data on years of schooling have a sufficiently high variation in Tanzania to relate educational levels to scores achieved in the test. Participants who had at least one year of secondary school did systematically better than the average whereas those with less than primary schooling did significantly worse than the average. Regarding marketing, there is no difference in score between secondary school leavers, primary graduates and primary school drop outs in Tanzania.

Scores achieved in the cognitive test on financial management and marketing related to educational level. The case of Tanzania:

| Educational level | Scores achieved | |
|---|---|---|
| | Financial Management | Marketing |
| < primary | 3.0 | 8.5 |
| = primary | 4.7 | 8.6 |
| > primary | 6. | 8.5 |

We concluded that in all three countries a substantial grounding in managerial skills and knowledge was transferred. The cognitive skills acquired in the seminar were higher for those who had at least some years of schooling and significantly lower for those without schooling. For those who had attended school, the number of years did not play a significant role for subjects which were easy to understand. However, those subjects which are more complex and which required more formal skills and the capacity to understand abstract concepts, education beyond primary school was significant.

## D. Application of skills and implementation of changes

Upon completion of the seminar, cognitive and non-cognitive changes should have resulted in different behaviour in participants, application of learned skills and knowledge, and in the implementation of changes in their business. The application of what was learnt and changes implemented, is an important indicator in

evaluating the effectiveness of the training seminar.

### *1. Number of applications and implementation*

The participants listed all the changes which they implemented after the seminar and which they continued to apply at the date of the follow-up interview. Data from the control group made it possible to ascertain whether the participants' changes were the effect of the training seminar or not.

More than 90 percent of the participants listed the implementation of changes. In Kenya, the participants implemented five changes on average, in Tanzania 3.2 and in Côte d'Ivoire 2.1. Only one or two participants in each country indicated no change at all, mainly due to illness.

The application and implementation indicated by the participants can be interpreted as the effect of the seminar for two reasons. First, within the control group only one women in each country indicated that she had implemented a change during the period between the seminar and the follow-up interview. Second, during the pre-training interview the participants were asked to indicate changes they are planning to implement during the following months. The comparison shows that basically all changes implemented differ from the announced ones. Therefore, the implemented changes were not envisaged prior to the seminar and are considered to be the effect of training.

### *2. Type of changes implemented*

The changes implemented by the participants are very different in nature. Some were relatively easy to apply while others required more effort, additional inputs, further skills and information. The changes implemented by the participants varied largely within and between the countries. However, we identified three changes mentioned by a significant number of participants in all three countries. These are book-keeping, refusal to give credit and expansion of business activity.

#### a. Book-keeping

A number of the participants indicated during the pre-training interviews that they already took notes of goods they bought, money earned, or money spent. Others collected the receipts. Since the seminar, however, participants used the figures in order to calculate costs, prices and profits which they did not before. In addition, a significant number started to take notes. The interviewer checked the notes and in many cases they were up to date as well as used for some calculations.

#### b. Refusal to give credit

About one third of the participants in Côte d'Ivoire and Tanzania and 63 percent in Kenya mentioned that they stopped giving credit to customers since many debtors are reluctant to repay. During the group discussions, however, many women admitted that they still give credit, in order not to lose customers. They insisted, however, that they only give credit to good customers and they no longer have problems in collecting the money.

#### c. Expansion of business activities

An impressive number of women in each country either added a new product, started an additional business or increased the stock of products in high demand or with high profit. The figures are particularly striking when taking into account the fact that only two women in the control group added a product. In Côte d'Ivoire, 33 percent, in Tanzania 39 percent and in Kenya 63 percent of the participants expanded their business or added another one. The average time span between the seminar and the implementation was two months in Côte d'Ivoire and Tanzania, and only one month in Kenya. In Kenya, a higher percentage of participants expanded their business and they did it after a shorter delay. Since the women expanded their business without provision of financial assistance, but with knowledge, skills, information and motivation

the importance of training seminars in promoting informal sector business becomes evident.

With regard to the remaining changes implemented by the participants, almost no similarities could be identified between the three countries. In Kenya, several changes were implemented by more than one third of the participants. They gave a salary to themselves, gave less or no money to relatives, displayed their goods well, and were nice and charming to the customers. In Tanzania, 50 percent did market studies in order to "match the product with the demand", and 18 percent respectively, started to "give herself a salary", "display and arrange their goods well" and started to "save for depreciation". In addition, 21 percent undertook promotional activities and did some form of advertisement. In Côte d'Ivoire, 33 percent of the participants reduced the expenses from their business and thus could keep or increase savings. No further changes can be identified which have been implemented by a significant number of participants in Côte d'Ivoire.

### *3. Changes which have been reversed*

Participants may have implemented changes which they gave up due to difficulties or lack of success. The response to this question was very limited. Only in Côte d'Ivoire, 25 percent of the women indicated applications which they had given up such as to organise a women's association, to do book-keeping or to add a new business and product. The reason for giving up were "sickness, laziness, lack of customers and lack of money". In Tanzania, only one women failed to add a new product because of lack of customers. In Kenya two gave up book-keeping because they were too busy after work or had problems in writing.

### *4. Planned changes*

The participants indicated the changes they intended to implement but were not able to do so far. In total, 86 percent of the participants in Côte d'Ivoire, 63 percent in Kenya and 46 percent in Tanzania had at least one change in mind. These intended changes concern less the application of new management skills but mostly the expansion of their activities. In all three countries, about 50 percent of all participants would like to add a new business, or add complementary products to the existing ones. Others wished to upgrade their existing business. A hairdresser wanted to move from a wooden stall to a hair saloon, a dressmaker who sells on a table in the market place wanted to move into a shop, a shoe seller who provided only low quality and cheap products would like to add better quality products according to the demand of the customers. Only few women wanted a better place, starting a tontine or giving themselves a salary. As most of these plans require capital, it is not surprising that many women indicated the lack of capital as a reason for non-implemention. Other reasons mentioned were lack of transport, place, material, time, and some admitted that they simply were too "lazy".

## E. Economic performance

Conventional indicators to measure change in economic performance are income, profit or turnover. As discussed above, it is rather difficult to collect these data in the informal sector due to the lack of written records, high seasonal, monthly or even weekly variations of income, or hiding of information. The questionnaire included questions on gross and net income, on business costs, on private expenditures and on savings. As expected, the data turned out to be inconsistent in many cases. Furthermore, the income indicated during the two interviews differed to an extent which could, in many cases, not be explained by better business performance. The reason is that most women found it very difficult to estimate their business figures, even on a daily or weekly basis. In addition, it is quite obvious that a number of women intentionally gave too low figures on income before the seminar. During the second interview, they trusted the interviewer and tended to give more realistic figures. As a consequence, business figures were not precise enough to be able to measure the economic effect of the seminar. However,

the data does provide additional information such as information on the approximate level of income for most participants which varied substantially between the participants.

"Workable" indicators were applied in order to measure the changes in economic performance. Data collected before the seminar were compared to those collected afterwards. Furthermore, data collected from the control group permitted comparison of the value of variables for participants and non-participants and thus to determine if changes in the value of indicators were due to the training seminar. The indicators applied were estimated sales, number of customers and number of people engaged in the enterprise.

### *1. Estimated sales*

The participants and non-participants were asked during the second interview to judge how their sales developed since the seminar. They could choose between less, same, little more, double, more than double, fluctuates. Around 80 percent of the participants in Kenya and Tanzania, and 40 percent in Côte d'Ivoire indicated that their sales had increased. One might argue that those who indicated "a little more" sales just wanted to please the interviewer. This may be true for some participants, however, about 30 percent of those who increased sales "a little", also added a new product or business. The most interesting result was the number of participants who had doubled or even more than doubled their sales, that is 22 percent in Côte d'Ivoire and Tanzania, and 62 percent in Kenya. The reliability of their information was supported by the fact that in Côte d'Ivoire and Tanzania more than 80 percent of them had added a new product, a new business or had changed activity. Furthermore, in Kenya and Tanzania, all participants who had doubled or more than doubled sales employed an additional paid worker.

**Percentage of participants (ppts) and control group estimating less sales and double/ more than double sales**

| | Côte d'Ivoire | | Tanzania | | Kenya | |
|---|---|---|---|---|---|---|
| | ppts | control group | ppts | control group | ppts | control group |
| **estimated sales after the seminar** | | | | | | |
| reduced | 0 | 40 | 8 | 30 | 0 | 43 |
| doubled/more than double | 22 | 0 | 22 | 0 | 62 | 0 |

Within the control group, no single business woman indicated that her sales had doubled or more than doubled. Between 30 and 43 percent of the non-participants mentioned that their sales had rather decreased since the seminar whereas none of the participants in Côte d'-Ivoire and Kenya, and only eight percent of the participants in Tanzania indicated a reduction in their sales.

### *2 Number of customers*

Before and after the seminar the participants and non-participants were asked to indicate the number of their daily customers. We can assume that the women would not be able to remember the figure they had estimated more than six months earlier during the first interview. Thus, these figures can be considered to be relatively unbiased. As these figures are based on estimations, variations in the figures of up to 20 percent between before and after the seminar were not considered to be a change. The business women were also asked to estimate the number of their regular customers (someone who is "her" client and would mainly buy from her). These data were used as additional information in order to check the reliability of changes in the number of daily customers.

A significant number of participants experienced an increase in customers after the seminar. In Kenya and Tanzania, 83 and 46 percent of all participants, respectively, indicated a higher number of customers after the seminar. Furthermore, in each country, less than eight percent of the participants indicated a lower number of customers than before. These figures confirm the results received from the figures on sales.

Comparing the performance of participants and non-participants we found a significant difference in terms of change in customers. None of the non-participants in Côte d'Ivoire and Kenya, and only 14 percent in Tanzania indicated an increase in the number of customers. In addition, the percentage of women who lost customers is significantly higher in the control group than in the group of participants in all three countries.

**Percentage of participants (ppts) and control group indicating increased or reduced number of customers**

| | Côte d'Ivoire | | Tanzania | | Kenya | |
|---|---|---|---|---|---|---|
| | ppts | control group | ppts | control group | ppts | control group |
| **Number of customers** | | | | | | |
| reduced | 6 | 50 | 8 | 14 | 6 | 50 |
| same | 82 | 50 | 46 | 71 | 17 | 75 |

The comparison of economic performance in Côte d'Ivoire between participants and non-participants well demonstrates the stabilisation effect of the training seminar. In Côte d'Ivoire, 82 percent of the participants had the same number of customers before and after the seminar, only 12 percent were able to increase the number and six percent even lost customers. According to these data the training seminar had no major effect on the economic performance of the participants. However, when compared with the control group we found that only 50 percent of the non-participants were able to stabilise the number of customers, and the remaining 50 percent had less customers than before. Therefore, analysing the performance of a control group is very important, not only to determine if the changes in indicators are due to the training seminar, but also to identify the stabilisation effect of training. If the overall economic situation in a country deteriorates, the effect of training may be stabilization.

### *3. Number of people engaged in the enterprise*

Many women operate their small business with the help of unpaid family members, paid employees or apprentices. The type of workers employed mostly differs between the countries with a higher rate of unpaid and family workers in Tanzanian small enterprises than in Côte d'Ivoire and Kenya where more paid than unpaid workers are employed.

It is hypothesised that changes in business performance will be reflected directly in the number of employed as well as in the structure of paid and unpaid employment. First, labour supply in the informal sector is quite elastic. Family members are usually available to help for some time and underemployment among unskilled labour is high. Furthermore, as labour laws are not enforced in informal sector enterprises, even paid workers can be employed and dismissed without delay. Therefore, paid workers can also easily be hired for a temporary period. In addition, wages for unskilled labour in the informal sector are extremely low and would therefore not be a

barrier to employing another person as soon as business improves.

Second, it is assumed that business women running a small enterprise tend to involve unpaid family members first when work load increases. During high seasons, they tend to engage unpaid workers temporarily. Only at a later stage, when the business level remains on a higher-level or increases even further, do they tend to employ paid workers. Thus, both a substitution between paid and unpaid workers and a net employment effect is expected.

In all three countries we observed that the number of participants increased while others reduced the number of people engaged in their enterprise mainly due to change in business or illness. The substitution effect resulted in a replacement of unpaid by paid workers. Almost all women who indicated a reduction in unpaid workers had employed at least one additional paid worker. In the control group almost no changes in employment could be observed.

**Percentage of participants (ppts) and control group increasing or reducing the number of workers**

| | Côte d'Ivoire | | Tanzania | | Kenya | |
|---|---|---|---|---|---|---|
| | ppts | control group | ppts | control group | ppts | control group |
| **paid workers** | | | | | | |
| reduced | 10 | 0 | 3 | 0 | 25 | 12 |
| increased | 16 | 0 | 25 | 14 | 38 | 0 |
| **unpaid workers** | | | | | | |
| reduced | 5 | 0 | 11 | 14 | 12 | 0 |
| increased | 10 | 0 | 25 | 0 | 25 | 0 |

### *4. Net increase in employment*

So far, the percentage of women who indicated changes was analysed. However, the net employment effect, i.e. the number of people who were newly engaged minus those who were dismissed is an important variable. The net employment effect can be expressed by the ratio of additional net employment to number of participants. The reverse ratio shows the number of women who had to participate in the seminar in order to obtain one more additionally employed person. In order to obtain one more net employed paid worker, 2.6 women had to participate in Kenya and four women in Tanzania. The net employment effect in Côte d'Ivoire was zero (due to the fact that two participants who had started a new business had reduced or given up the previous one and thus dismissed their employees). In order to obtain one more net unpaid employee, 2.3 women had to participate in Tanzania, eight in Kenya and ten in Côte d'Ivoire. In other words, a seminar with 25 participants would result in a net paid employment effect of 6.3 in Tanzania and 9.6 in Kenya. The effect for unpaid workers would be 10.9 in Tanzania, 3.1 in Kenya and 2.5 in Côte d'Ivoire.

The net employment effect created after the seminar has to be considered as an important external benefit of the training seminar. This benefit can be measured in terms of additional income paid to employees and the monetary equivalent of food and housing provided to unpaid workers.

### *5. Summary of economic indicators*

The three indicators measuring business performance complement each other and move in the same direction in all three countries. Kenya

experienced the highest improvement in all variables. Tanzania was doing well but did not achieve the high results of Kenya, whereas Côte d'Ivoire experienced the lowest increase in economic performance. However, it was demonstrated that stable business figures in Côte d'Ivoire reflect the stabilisation effect of the seminar in a situation of economic crisis.

If we compare the three indicators for each individual, the data support the quality of the indicators. All those participants who had increased the number of paid workers had indicated more sales as well. There was no participant who indicated more employees on the one hand and the same or even less sales on the other hand. Furthermore, all participants in Kenya and Tanzania who increased the number of paid workers, also added a new product or a new business. In addition, 50 to 60 percent of those who indicated an increased number of customers had also increased the number of workers engaged in the enterprise.

## F. Comparing values of indicators at all levels

When comparing the values of the indicators in the three countries we found that Côte d'-Ivoire achieves the lowest results for all indicators. For the three cognitive indicators Tanzania was always slightly better than Kenya. For the behavioural and economic indicators, however, Kenya was significantly better than Tanzania. The low results in Côte d'Ivoire in cognitive indicators can be explained by the low educational level of participants. The lower learning effect as well as the economic crisis contributed to a low rate of implementation and low economic performance. Tanzanian participants performed best in all cognitve indicators although their educational level was somewhat lower than in Kenya. This may be explained by the fact that they are used to absorbing information. More than 80 percent read the newspaper daily while this is the case for only 31 percent in Côte d'Ivoire and not more than 12 percent in Kenya. In addition, more than half of Tanzanian participants had received some kind of formal training, while only 13 percent received formal training in Kenya. Although the Kenyan participants achieved somewhat lower cognitive results, their rate and speed of implementation and their economic improvement was superior to Tanzanian participants. This may be explained by the relatively high educational level, the longer business experience and a more favourable economic environment in Kenya.

### *7. Willingness to pay*

Willingness to pay was introduced as an indicator to approximately quantifiy the benefits gained from the seminar. We assumed that someone who had participated in a management training seminar in the past would assess the benefits she experienced from this seminar. The subjective evaluation would include direct benefits, cognitive and non-cognitve abilities acquired, and economic benefits. Her willingness to pay for another similar type of seminar would be based on the benefits from the past seminar experience. Therefore, the willingness to pay is applied as a variable to indicate the benefits of the seminar.

None of the women in the sample had participated in management training seminars prior to the first interview. During the follow-up evaluation, the participants were asked to indicate the maximum amount they would be willing to pay for a forthcoming seminar. While the control-group still lacked the experience of a management seminar, the participants had attended the GMT training seminar. It is assumed that the benefit the participants expected from a forthcoming seminar was determined by the benefit they perceived from participation in the GMT seminar. It was therefore hypothesized that willingness to pay for a forthcoming seminar was an indicator for the benefit accrued to the participants.

However, the willingness to pay revealed by participants will have been influenced by additional factors. First, the revealed willingness to pay would be limited by the participant's savings capacity. Second, it was observed that a certain maximum amount would not be passed even when the savings capacity of the

women was high. Third, the participants faced direct costs, mainly transport costs and they may lose income when attending the seminar. There was evidence that the participants took into account the transport costs and the income lost when deciding on the willingness to pay.

Taking the above considerations into account willingness to pay may be considered a minimum level, i.e. the benefit expected may be higher than the indicated willingness to pay either because the women's savings capacity is low, the benefit is beyond the maximum amount or because direct costs and income lost are taken into account.

The sum of willingness to pay, direct costs of participants and foregone income represented the opportunity costs of participation in the seminar reflecting the amount each women was willing to sacrifice in order to participate in a further seminar. Since we assumed that the participant would not be willing to sacrifice more than she gained from the seminar, the opportunity costs of participation were considered to represent the minimum level of benefit accrued to her. The benefits thus quantified for each participant on average equalled 12,780 FCFA in Côte d'Ivoire, 1718 TSh in Tanzania and 463 KSh. in Kenya. In order to be able to compare the figures in the three countries, they were converted into US$ with the official exchange rate. In terms of US$, we found large differences between the countries, i.e. in Côte d'Ivoire 42.5 US$, in Kenya 22.9 US$ and in Tanzania 8.6 US$. Due to high differences in purchasing power the figures in terms of US$ do not allow any meaningful comparisions between the countries. Consequently, a value was to be identified which permitted comparison of the figures between the countries but circumvented the problems related to exchange rates. In addition, the value should permit determination of the relative importance of the amount the participants were willing to sacrifice.

The value applied was the wage paid to unskilled workers employed in the participants business. The wage of unskilled rather than skilled workers was chosen because it reflects what is paid for labour only with no incremental value added for skills and qualifications, i.e. human capital. The ratio of the average opportunity costs per participant to the monthly wage unskilled workers earned in the participants' informal sector enterprises were calculated. They were strikingly similar in all three countries. In Côte d'Ivoire and Kenya, the ratio was 1.2, while it was somewhat higher in Tanzania with 1.4. Hence, an unskilled worker had to work for 1.2 months in Côte d'Ivoire and Kenya, and for 1.4 months in Tanzania in order to earn the amount her employer was willing to devote to a five days training seminar on basic management. In other words, unskilled workers earned between 70 and 86 percent of what their employers were willing to sacrifice for 20 hours of management training. We concluded from these results that the minimum level of benefit the participants on an average gained from the seminar was worth at least the amount unskilled workers would earn in 1.2 and 1.4 months.

# VI. Cost analysis

Cost-effectiveness analysis implies the identification and evaluation of benefits and costs. "It is important to emphasize that both the cost and effectiveness aspects are important and must be integrated[26]." In general, management training seminars for small-scale entrepreneurs can be provided at low costs. One reason is the absence of expensive physical investment required for success. Furthermore, management training contains a large part of generic skills and knowledge which can be taught to relatively heterogenous groups of business people. In addition, management training can be provided to a relatively large group of entrepreneurs at the same time which keeps costs per participant low.

The cost of a specific intervention will be defined as the value of all the resources that it utilised had they been assigned to their most valuable alternative use (opportunity cost). In order to assess these costs, the model will require that we specify all the cost ingredients or components. Once the components are specified, a value is placed on each of them. The sum of all valued ingredients will establish the total cost of the intervention. In contrast to benefits, costs are conceptually simple since the components of costs are easier to identify and they can all be expressed in terms of money.

## A. Components of costs

The cost components encompass fixed costs and variable costs. In the context of the GMT seminars, the fixed costs are manpower costs (trainers, administration), class-room facilities, equipment and materials. Variable costs are consumption expenditures (mainly stationary), costs borne by participants (transport), and foregone income of participants.

## B. Value of components

Values have to be placed on all fixed and variable ingredients in terms of opportunity costs. The values to be placed on some components may vary within a certain range depending on the quality of the input factors. The salary of trainers depends on their educational level, training experience, type of employer etc. The evaluation of trainers showed that communicative skills and the ability to convey messages are critical for training at the grassroot level. These skills could be observed in trainers of different backgrounds and experience. The good trainers had secondary or higher education, some had previous teaching and training experience at the lower educational level while others only trained at the higher level. They were employed by local NGOs with very low salaries, at management institutes where they received very high salaries or at Ministries obtaining public sector salaries[27]. The costs for classroom facilities also varied considerably according to the location, the furnishing, the availability of air-conditioning etc[28]. As a consequence, a cost analysis was undertaken for relatively high values of manpower and classroom facilities and moderate values which are approximately 30 percent lower.

GMT seminars require little equipment and material, mainly an overhead projector, transparencies, and the GMT trainer's guide book. The overhead projector needs to be imported and the ILO has to be compensated for the training material. The costs for equipment and material are U$ 1000 and are converted at the official exchange rate. In addition, they are assumed to depreciate after two years.

## C. Cost-benefit ratio

Comparing the quantified benefits accrued to participants with the costs, the data indicate that even for high values placed on manpower and classroom facilities, the benefits exceed the costs of the seminar in all three countries. The calculation of the cost-benefit ratio for more moderate values resulted in high returns to the management training seminars. It has to be kept in mind, however, that in addition to the benefits accrued to participants, significant external benefits in terms of paid employment are derived from the seminars[29]. Therefore, the calculated benefit cost ratios have to be considered the minimum level of return.

The following table summarises the costs, both for high and moderate values placed on manpower and facilities, the minimum level of benefits accrued to participants and the cost-benefit ratio. The calculation was based on the assumption that 25 entrepreneurs participate in the five day seminar. The seminar would be conducted by one trainer.

**Costs to provide a GMT seminar for five days to 25 participants**
**Benefits accrued to participants**
**Cost-benefit ratio**

| Cost components | Côte d'Ivoire | | Tanzania | | Kenya | |
|---|---|---|---|---|---|---|
| | values | | values | | values | |
| | high | moderate | high | moderate | high | moderate |
| **1. Fixed costs** | | | | | | |
| Manpower | 30,000 | 22,500 | 4,000 | 3,000 | 3,000 | 2,250 |
| Classroom facilities | 90,000 | 67,000 | 13,000 | 9,750 | 3,000 | 2,250 |
| Equipment and material | 2,880 | | 1,900 | | 190 | |
| Total fixed costs | 122,880 | 92,880 | 18,900 | 14,650 | 6,190 | 4,690 |
| Fixed costs per participant | 4,918 | 3,715 | 756 | 586 | 247 | 188 |
| **2. Variable costs (on average per participant)** | | | | | | |
| Stationary | 300 | | 100 | | 20 | |
| Costs born by participants | 1,143 | | 43 | | 12 | |
| Income foregone of participants | 5,571 | | 625 | | 87 | |
| Variable costs per participants | 7,014 | | 768 | | 129 | |
| Total costs per participant | 11,929 | 10,729 | 1,524 | 1,354 | 376 | 317 |
| Benefits accrued to participants (on average per participant) | 12,790 | | 1,718 | | 463 | |
| Cost/Benefit ratio | 1.06 | 1.19 | 1.13 | 1.26 | 1.23 | 1.46 |

# VII. Summary and conclusions

This research project has developed and tested indicators which allow evaluation of the benefits of management training in the informal sector. The indicators presented in this study proved to be sensitive and were able to catch the signals of a relatively light intervention. Some additional indicators have been tested which finally did not allow meaningful interpretation and therefore were not discussed in this paper. It has to be kept in mind that the findings refer to business women of a relatively low level of literacy who are already in business and who were willing to participate in a training seminar, indicating a favourable attitude towards business and the motivation to improve.

The study revealed that participants benefitted from the training seminar in different ways. All women appreciated the fact that they acquired management skills. However, in Côte d'Ivoire and Tanzania, a high percentage of participants gave the gretatest appreciation to benefits other than learning. They appreciated the fact that they met other business women or trainers, that they were taken seriously as business women, or that they had an interesting time. Furthermore, the training experience resulted in a more favourable attitude among participants towards learning and the importance of skill acquisition and management know-how to improve business. The seminars also resulted in enhanced cognitive abilities in individuals. The highest cognitive effects were achieved in Kenya and Tanzania and significantly lower ones in Côte d'Ivoire. These differences can be mainly explained by the differences in educational levels.

Behavioural changes were reflected in application of acquired skills and knowledge and the expansion of business. The highest rate of application could be observed in Kenya, the lowest in Côte d'Ivoire. The most impressive finding was the fact that in all three countries at least one third of the participants added a new product, started an additional business or increased the stock of products with high profit. In the control group, basically none had expanded her business. The participants expanded their business without provision of financial assistance,but with new knowledge, skills, information and motivation. This highlights the effectiveness of management training.

Indicators measuring the change in economic performance show that in Kenya and Tanzania a significant number of participants improved their business whereas the control group showed no signs of improvement. In Côte d'-Ivoire, the indicators showed only little improvement among participants whereas the economic performance of the control group deteriorated. The analysis of the control group reveals the stabilisation effect of the seminar for the participants in a situation of economic crisis.

The opportunity costs of participants to attend the seminar were calculated in order to quantify the minimum level of benefit accrued to participants. The quantified benefit per participant was related to the wage the participants were paying to their unskilled workers. The ratio is strikingly similar in all three countries. Participants were willing to sacrifice an amount equal to a 1.2 to 1.4 months wages of their unskilled employees in exchange for another five days management training seminar.

Furthermore, the seminar resulted in additional employment of paid and unpaid workers. The net employment effect is considered a benefit of the seminar since employment in the control group remained unchanged in all three countries. The benefits from additional employment, measured in terms of additional income are significant.

In all three countries, the benefits accrued to the participants exceed the costs resulting in high cost-benefit ratios. The ratio becomes even more favourable if benefits from additional employment are taken into account.

This study has shown that it is possible to measure the effects of even light interventions in the informal sector. Furthermore, there is evidence that basic management training seminars provide substantial benefits to the participants at different levels. Based on the findings, management training seminars are considered a cost-effective type of assistance to promote business women in the informal sector.

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15. Statement of a woman in The Gambia, during the evaluation of a previous ILO management training seminar for informal sector business women: "I was not busy anyway, we got free tea, free food, we had fun, and on top we were paid well - why not participate". This woman was not from the target group. It turned out that almost all participants were personally related to people working for the NGO.

16. Some organisers try to ensure attendance by organising the seminars in remote areas and/or provide expensive residential seminars.

17. In Tanzania, one woman was interviewed who was suggested by the extension worker of the NGO. She was a tailor and the interview was conducted in her shop. She was very keen on participating in the seminar. When she was invited to the seminar and was informed that she was expected to pay a fee, she lost interest. It turned out that she was not a business woman, the shop belonged to a friend, and she was an official of the National Party. To her, the fee was not an investment from which she could expect a return.

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28. The GMT seminars in Côte d'Ivoire, Kenya and Tanzania were conducted in a modest environment.

29. The figures for additional paid employment reflect the employment situation during the follow-up interviews. It is unknown for how long these additional workers were employed. However, even if it is assumed that the higher employment was only created for one month additional income from paid employment in Tanzania and Kenya represents 20 and 30 percent, respectively, of the benefits accrued to participants.

# Annex I

Summarised content of the seminars in basic management training for women engaged in income-generating activities in the informal sector.

## First part: The environment (4 hours)

### 1. The enterprise and the community

- The enterprise, a source of wealth
- Links between the enterprise and the environment

### 2. The enterprise and the individual

- Physical and corporate bodies: the two roles of the entrepreneur.

Conclusions: avoid any confusion between the till of the enterprise and the personal purse: the entrepreneur must fix himself a salary.

### 3. The enterprise and the family

- The problem of selling on credit to friends and family. Cultural constraints. Some solutions:
  - Setting up co-operatives
  - Mass education
  - The ritual of consumer credit

### 4. Economic environment (optional) (2 hours)

- Production and productivity
- Trade balance and balance of payments
- Inflation

## Second part: Marketing (8 hours)

### 1. Market research

1.1 Why preliminary study of the market?

- Because "you can lead a horse to water but you can't make it drink" (no market or market saturated); you cannot make somebody drink if he's not thirsty;
- Because "you don't sell combs to a bald man" (inadequacy product/market)
- Because you should avoid following the crowd. Seek new market segments.

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1.2 A market survey. How?

- Observation - What information is needed?
- Taking a census - qualitative analysis: motivations and brakes
- Surveying the market - a representative sample
- Questionnaires and interviews. Tests

**2. Marketing**

- The product - the range of products - selling prices - distribution
- The presentation of goods
- Quality control - building consumer loyalty
- The art of selling - "The alternative technique"
- The various medias - communication, advertising

## Third part: Financial management (12 hours)

**1. The "break-even" point**

- Variable costs and fixed costs. Depreciation
- Contribution. Break-even point. Profits
- "Fast-food" case: calculation of different break-even points through varying prices and the client volume (elasticity of turnover according to the selling prices)

**2. Request for loans (optional) (4 hours)**

- The fast-food case becomes more complicated. The client wishes to buy a freezer and a car and a request for a loan is introduced to the bank.
- Investment, depreciation and amortization plans
- Forecasts

**3. The case of "loincloths in the Côte d?Ivoire"**

- Fixed and variable costs - break-even point (recapitulation)
- Goodwill
- Working capital

**4. Case study**

- The break-even point in training associations and institutions.
- The case of the APPF (Association for the Professional and Personal Promotion of Women). Optional (4 hours)

**5. "Tontines" (savings kittys)**

- A general presentation. Concrete cases
- The role of the "tontines" in financing micro-enterprises.

**6. Accountancy (optional - 4-8 hours)**

- General book-keeping. The principle of double entry accountancy.
- Accounts - books - the cash register.
- Budgeting
- The balance sheet and loss and profit account

# Annex II

## Type of business activity (in percentage)

| | Cote d'Ivoire | |
|---|---|---|
| | **participants n=21** | **control group n=5** |
| selling processed food | 33 | 20 |
| tailor/trade in textiles | 24 | 40 |
| hairdresser | 10 | 20 |
| selling fish,rice fruit, spices | 33 | 20 |

| | Tanzania | |
|---|---|---|
| | **participants n=28** | **control group n=7** |
| selling processed food/drinks | 28 | 28 |
| tailor | 24 | 28 |
| Poultry/selling eggs | 31 | 14 |
| selling charcoal | 7 | 14 |
| selling fruit, vegetables | 21 | 14 |
| Other | 14 | 0 |

| | Kenya | |
|---|---|---|
| | **participants n=8** | **control group n=7** |
| selling processed food | 12.5 | 14 |
| tailor/trade in textiles | 25 | 33 |
| selling vegetables | 12.5 | 14 |
| retail shop (soap, canned food, cigarettes etc) | 12.5 | 14 |
| Other | 25 | 0 |

# Annex III

**What did you appreciate most during the seminar?**

1. That you had the opportunity to meet other business women
2. That you had the opportunity to meet the trainers
3. That you increased your knowledge on how to improve your business
4. That the trainers and the ILO gave you an interesting time
5. That you could experience how such a seminar is conducted
6. That you felt that they take you seriously as a business woman
7. That you received a diploma which shows that you have successfully participated in the seminar
8. That you could take leave from your business for some time

**Appreciation of various aspects of the seminar**

Percentage of participants choosing:

| Options | Côte d'Ivoire | | | Total | Tanzania | | | Total | Kenya | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Choice | 1 | 2 | 3 | | 1 | 2 | 3 | | 1 | 2 | 3 | |
| Meet business women | 10 | 44 | 17 | 71 | 28 | 36 | 19 | 83 | - | 26 | 17 | 43 |
| Meet trainers | 10 | 28 | 17 | 45 | - | 14 | - | 14 | 12 | 50 | - | 62 |
| Learning management know-how | 73 | 22 | 5 | 100 | 53 | 25 | 19 | 97 | 88 | - | - | 88 |
| Interesting time | - | 6 | 17 | 23 | 14 | 7 | 12 | 33 | - | - | - | 0 |
| Experience how seminar is conducted | - | - | 10 | 10 | - | 7 | 4 | 11 | - | 12 | 49 | 61 |
| Taken seriously as a business woman | - | - | 17 | 17 | 4 | 11 | 46 | 61 | - | 12 | 17 | 29 |
| Received diploma | 6 | - | 17 | 23 | - | - | -[1] | 10 | - | - | 17 | 17 |
| Leave from business | - | - | - | 0 | - | - | - | 0 | - | - | - | 0 |

[1] No diploma distributed

# Annex IV

## Characteristics of participants and of control group

| | Cote d'Ivoire | | Tanzania | | Kenya | |
|---|---|---|---|---|---|---|
| | ppt n=21 | control n=5 | ppt n=28 | control n=7 | ppt n=8 | control n=7 |
| **Average age (years)** | 31 | 30 | 33 | 34 | 35 | 33 |
| **Married (civil & traditioanal) (%)** | 52 | 50 | 63 | 43 | 88 | 71 |
| **Number of children** | 3.2 | 2.6 | 3.5 | 4 | 3.6 | 2.7 |
| **Religion (%)** | | | | | | |
| Christian | 75 | 80 | 63 | 43 | 100 | 100 |
| Moslem | 5 | 20 | 37 | 57 | - | - |
| Animiste | 25 | - | - | - | - | - |
| **Average years of schooling** | 2.5 | 5.4 | 7.5 | 8 | 9.4 | 9.8 |
| **Number of years (%)** | | | | | | |
| no schooling | 50 | 40 | 0 | 0 | 0 | 0 |
| 1-8 years | 42 | 40 | 76 | 85 | 50 | 43 |
| 9-12 years | 8 | 20 | 24 | 15 | 50 | 57 |
| **Previous formal training (%)** | 32 | 20 | 53 | 71 | 13 | 28 |
| **Skills acquired for current business (%)** | | | | | | |
| Institute | 5 | 20 | 11 | 14 | 12.5 | 14 |
| Apprenticeship | 5 | 0 | 4 | 0 | 0 | 14 |
| Formal Enterprise | 0 | 0 | 0 | 0 | 12.5 | 0 |
| Self-taught | 39 | 40 | 43 | 43 | 62.5 | 43 |
| Family business/Friends | 51 | 40 | 42 | 43 | 12.5 | 43 |
| **Had other business before (%)** | 10 | 0 | 66 | 57 | 62 | 86 |
| **Average years of operation of current business** | 4.7 | 2.8 | 3.4 | 2.6 | 5 4 | 6 |
| **Monthly savings capacity** | 20.000 | 30.000 (FCFA) | 2.200 | 1.900 (TSh) | 970 | 1.000 (KSh) |
| **Willing to pay for seminar** | 4.500 | 5.600 (FCFA) | 220 | 314 (TSh) | 240 | 280 (KSh) |
| **minimum amount to be offered to accept wage employment** | 56.000 | 50.000 (FCFA) | 12.000 | 15.000 (TSh) | 10.000 | 9.000 (KSh) |
| **Considers herself a successful business women (%)** | 66 | 60 | 72 | 85 | 50 | 28 |

# Annex V

## Cognitive test

**List of questions:**

### Marketing

1. Please name the "four P" of Marketing.....

2. What information is in a population census?.....

3. What is a sample?.....

4. Give an example of market saturation.....

### Financial Management

1. Please explain what "depreciation" means.
   Interviewer: Please note, if she can explain

   A. YES

   B. NO

   C. HAS SOME IDEA

2. Please calculate the rate of depreciation of a machine which costs 2400 Shillings and will work for two years.

How much is it per month? .....

3. Please name all fixed and variable costs in your business.

A) fixed costs: .....

B) variable costs: .....

4. What is a break-even point?
   Interviewer: Please note, if she can explain:

   A. YES

   B. NO

   C. HAS SOME IDEA